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SUBJECT: SOUTHERN SUDAN: LETTER TO SECRETARY RICE ON THE
IMPACT OF U.S. SANCTIONS

¶1. (U) Summary: A letter from Government of Southern Sudan (GoSS) Finance Minister Mawien to Secretary Rice outlines objectives for the impending GoSS visit to Washington to explore ways to mitigate the impact of U.S. economic sanctions on Southern Sudan. End Summary.

¶2. (U) On the eve of the departure of a high-level GoSS delegation to Washington to discuss the effect of U.S. economic sanctions on Southern Sudan and to explore possible measures to mitigate these effects, the GoSS has delivered a letter from Minister of Finance and Economic Planning Kuol Athian Mawien to Secretary Rice (text in para. 4), outlining GoSS concerns, along with four proposed measures to mitigate the sanctions impact. The letter contends that U.S. sanctions on the Khartoum government are having the unintended consequence of constraining GoSS revenues and of discouraging U.S. private investment in Southern Sudan. It also charges that Khartoum uses sanctions as an excuse to underfund development projects in the South, claiming that sanctions are reducing revenues. The letter proposes: 1. that arrangements be made to transfer the GoSS share of Sudan's oil revenues through a U.S. bank, 2. that similar arrangements be made for the transfer of grants to the GoSS, 3. legal and other necessary arrangements be made for correspondent banking between U.S. and Southern Sudanese banks, and 4. exempting U.S. firms investing in Southern Sudan from U.S. sanctions.

¶3. (SBU) Receipt of the letter follows a September 13 meeting in Juba between Acting Consul General Juba and Acting Embassy PolEcon Chief, and members of the delegation going to Washington, including Finance Minister Mawien and GoSS Minister of the Presidential Affairs Luka Biong Deng. At this meeting, Minister Mawien explained that GoSS oil revenues under the Comprehensive Peace Agreement are transferred to Juba from the Central Bank of Sudan via a GoSS account with a commercial bank in Bahrain. Mawien said that the Bahraini bank is under pressure for handling dollar transactions involving Sudan and the GoSS fears that the bank may soon close the account. Mawien did not elaborate on the source or nature of the pressure on the Bahraini bank. Emboffs suggested that the delegation might explore with Treasury the possibility of an OFAC license for the bank to specifically transfer oil revenues to the GoSS. Deng suggested that a U.S. bank might be more comfortable in dealing with OFAC than would a foreign bank. Mawien and Deng also asserted more generally that the perception that all of Sudan is under U.S. sanctions discourages U.S. private investment in Southern Sudan, as well as interest by foreign banks in setting up operations there.

14. (U) Begin text:

17 SEPTEMBER 2007
GOVERNMENT OF SOUTHERN SUDAN
MINISTRY OF FINANCE and ECONOMIC PLANNING
OFFICE OF THE MINISTER

HE Dr Condoleezza Rice,
Secretary of State,

SIPDIS
U.S. Department of State
2201 C Street NW
Washington, DC 20520,
United States of America

Dear Secretary Rice,

Re: The Impact of Sanctions and US-Sudan Economic Relations

I am profoundly delighted to write to you and share some thoughts on these pertinent and pressing issues of our time in relation to how best to manage, deepen and broaden US-Sudan economic relations while ensuring the desired social transformation of Sudan through the effective implementation of the Comprehensive Peace Agreement (CPA).

I also believe that we need to think and plan ahead on how best we shall lay solid and sustainable foundations that shall not only ensure the realisation of lasting peace in Sudan and our region but also the sustainability of successful US-Sudan economic relations as inspired and shaped by our shared sentiments, strategic visions and interests.

To achieve this we need to get the analysis right as, we formulate policies and strategies on such sound

evidence-based and knowledge-based approaches through our instruments of government and the best scientific tools available to us.

US Sanctions on Sudan

Without a doubt the deep wisdom and rationale of US sanctions on Sudan remain admirable in as much as they effectively served their intended purposes in bringing about change in Sudan until the successful conclusion of the CPA. The people of Southern Sudan and other marginalized areas of Sudan remain grateful for the principled stance of the people and Government of the United States of America.

Certainly, there are well founded and plausible reasons for targeted sanctions to remain in force against Sudan especially as responses to the appalling humanitarian tragedies in Darfur and other failures concerned with implementing the CPA, DPA and ESPA.

As a matter of principle, the people and Government of Southern Sudan uphold and very much welcome such principled stance and strategies. However, given the latest changing circumstances, new ways are to be found for such principled objectives not to stand on the way of the Government of Southern Sudan to deliver its mandate and services to its people and also on the other hand on its historical role and responsibilities towards the social and political transformation of the Sudan as provided for under the CPA.

The people and Government of Southern Sudan strongly believe that there are innovative and imaginative solutions that can be explored and adopted by us all in order to strike the best possible balance between these competing and at times seemingly contradictory policy concerns and the requisite strategies to realising them.

The continuation of US sanctions on Sudan as they stand at present shall seriously harm the people and Government of Southern Sudan even more than it would the NCP-led Government

of National Unity. This shall have serious implications at every level.

The NCP and its networks have options and sources which are not available to the people and Government of Southern Sudan. Therefore the NCP shall have all the excuses for not meeting with its moral and political commitments to implementing the CPA, apart from the other negative ramifications on peace and security throughout the country.

The NCP led Government of National Unity is deliberately not making any development projects in Southern Sudan under the pretext that there are no resources owing to the US sanctions, while at the same time concentrating development activities in selected areas of northern Sudan where it deems its political support to be greatest.

On the immediate, medium and long term, US sanctions as they stand at present may potentially provide the basis for the NCP to pursue its project of not honouring the CPA and also considerably undermine or even reversing national, regional and international efforts for finding sustainable peaceful solutions for Sudan's intractable difficulties.

GoSS Proposals on the Way Forward

It is all a matter of political will and how far imaginative, innovative and proactive we choose to be from our respective positions while working within existing international legitimacy and legality as well as the legitimacy and legality of our respective countries.

GoSS proposals are therefore made within the framework of international and Sudan existing legitimacy and legality as provided for by the CPA and interim national and Southern Sudan constitutions.

In view of the above, GoSS therefore proposes the following and urgent immediately needed specific requirements:

¶1. The share of GoSS of oil revenue is being channelled through banks in the Middle East, which are subjected to US sanctions. GoSS seeks to have its share of oil revenue to be paid through a US based commercial Bank, which shall in due course under these proposals have branches in Southern Sudan.

¶2. There are grants made to Southern Sudan which under existing sanction regimes are difficult to transfer, it would be better to make such transfers through the proposed solution of having GoSS accounts with a US based commercial bank with a branch in Southern Sudan.

¶3. Creating legal and other necessary arrangements for South Sudanese banks to have close working relations with corresponding bank's within the US.

¶4. There are many companies, especially US based companies, which are willing and ready to invest in Southern Sudan and are unable to do so due to US sanctions against Sudan from which they are to be exempt.

The immediate, medium and long term objectives and strategies are as follows:

¶1. Working out clear political, policy, institutional and operational frameworks and structures for exempting Southern Sudan from US sanctions, with agreed sets of measures to safeguard against possible infringements.

¶2. Working out clear legal frameworks and strategies for targeted sanctions against the negative elements in Sudan in ways that shall further strengthen the prospects for implementing the CPA and at the same time enable the positive elements of social and political change in Sudan to successfully deliver their respective mandates.

¶3. Exploring areas for closer engagements on deepening economic and bilateral relations that shall further enhance,

deepen and enable GoSS and others in Sudan to pursue their mission of transforming Sudan in line with established principles.

14. Accelerating existing and explore new areas for enhancing the capabilities of GoSS on public expenditure management, fiscal discipline and economic management.

15. Providing for major US Banks to serve in Southern Sudan under US laws, Bank of Southern Sudan regulations and the agreed bilateral agreements on these regards.

16. Creating political, legal and financial incentives for greater and deeper relations between US companies and Southern Sudanese companies, especially in agriculture and agro-business industries that can immediately impact on peoples' lives.

17. Creating most favoured trading relations with the US for Southern Sudanese suppliers to conduct closer business relations with the United States of America as provided for within the African Growth and Opportunity Act (AGOA) and other related frameworks.

18. Creating synergies for local, national and regional safeguards for growing economic relations and investments between the US and Southern Sudan.

19. Resolving existing problems and bottlenecks with how GoSS financial affairs are being managed at present especially in respect of the World Bank and MTFD etc.

20. Developing bilateral research and policy analysis activities on economic and financial relations as well as associated areas.

21. Exploring other areas of mutual strategic and other interests.

The people and Government of Southern Sudan remain touched and moved by the depth and commitment of the people and Government of the United States of America and indeed their moral, intellectual, political and material capital being invested in furtherance of the values of liberty, democracy, human rights, justice and the rule of law.

On their part the people and Government of Southern Sudan remain committed to honouring such consistent and principled commitments in this and future generations to come. Hence these proposals on how we can think and plan together on the way forward.

Once the policy decisions are made, we look forward for us to engage our respective technical and operational teams at the

earliest opportunities to proceed with the agreed policies, strategies and solutions as shall be determined in due course.

Given the urgency of these matters raised, we look forward to your learned responses at your earliest possible opportunity.

Yours sincerely,

Kuol Athian Mawien
Minister of Finance and Economic Planning,

Government of Southern Sudan
FERNANDEZ